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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 07/19/06

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Prime Minister's schedule, July 17

Evening

Left the airport in St. Petersburg by government plane.

(local time)

Prime Minister's schedule, July 18

12:07

Arrived at Haneda Airport

12:41

Reported return home at the Imperial Palace.

12:54

Arrived at the Prime Minister's Official Residence.

13:40

Met with Chief Cabinet Secretary Abe.

17:14

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Arrived at his residence.

(Japan time)

4) Koizumi urged Bush to engage in direct dialogue with North Korea during Japan-US summit in June; Bush refused to fall into the North's trap

ASAHI (Page 3) (Excerpts)

July 19, 2006

"Things will not move forward without direct dialogue." Prime Minister Junichiro Koizumi urged US President George W. Bush last month to promote a high-level direct dialogue with North Korea for resolving the North's nuclear and missile issues, sources said yesterday. The advice was a gamble for the dialogue-oriented Koizumi, who made two trips to Pyongyang for a normalization of diplomatic relations between Japan and North Korea. But President Bush did not abandon his cautious stance. Days later, Pyongyang launched missiles, pushing Japan and other countries toward a pressure approach. Chances are diminishing that Koizumi's advice will bear fruit.

Koizumi called for a US-North Korea direct dialogue at the June 29 Japan-US summit and in a subsequent telephone conversation with Bush. Japanese government sources cited Koizumi as telling Bush, while citing his two visits to Pyongyang:

"North Korea is hoping for a dialogue with the United States. In dealing with a country like North Korea, things will not move forward unless leaders of the two countries engage in a direct dialogue. It is the United States rather than China who can settle North Korean issues. In order also to resolve the abduction issue, the nuclear and missile issues must be moved forward."

Thus Koizumi told President Bush that the United States must conduct direct high-level talks with the North.

In response, Bush said: "You are the only leader who has objected (to America's policy) to my face. I will consider your advice." But in subsequent conversations with Koizumi, Bush maintained a cautious stance, saying to the Japanese prime minister: "Engaging in a direct dialogue means falling into North Korea's trap."

On July 5, the North test-fired seven missiles, including a Taepodong-2. In his telephone conversation with Bush on July 6, Koizumi reiterated the need for direct dialogue, but Bush did not change his attitude, according to the sources. The view is prevalent in Japan and abroad that despite Koizumi's advice, chances have further diminished for a direct dialogue between the US and North Korea.

5) Government to mandate designated firms to report export details under revised law to prevent roundabout exports to North Korea

NIHON KEIZAI (Page 1) (Excerpts)
July 19, 2006

The government has decided to strengthen trade-control regulations by revising the Foreign Exchange and Foreign Trade Law, with a view to additional sanctions against North Korea. If it decides to halt trade with that nation by invoking additional economic sanctions,

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the government as a measure to prevent roundabout exports will mandate domestic companies affiliated with North Korea, to report on business details, including export destinations and items. The government also plans to introduce tougher penalties for violators.

The government has already slapped sanctions on North Korea, including banning its ferry Mangyongbong-92 from calling at Japanese ports. In addition, it is considering imposing heavier economic sanctions, such as halting cash remittances and trade activities, depending on a future response by Pyongyang, which has refused to comply with a resolution adopted by the United Nations Security Council.

In the event that Japan decides to adopt the trade-suspension measures, only direct trade with the North will come under the application of the measure under the current law. The Ministry of Economy, Trade and Industry intends to revise the law in order to prevent Japanese firms affiliated with North Korea from exporting goods to North Korea via a third country.

Once the government decides to apply additional sanctions on North Korea, it will designate "firms linked to the country subject to the sanctions," such as North Korea-affiliated companies, and will require the firms to report on export items and destinations. Of about 300 firms engaged in North Korea-bound exports, those whose export values are large will likely come under the reporting requirement. If a firm fails to acquit this obligation, the firm is likely to be punished for unauthorized exports. The relevant government ordinance will be revised when sanctions are invoked.

6) North Korea's missile launches: US presents a list of transactions to Japan; Tokyo to implement financial sanctions

SANKEI (Top play) (Excerpts)
July 19, 2006

The government yesterday decided to implement sanctions against North Korea in accordance with the Foreign Exchange and Foreign Trade Control Law in order to halt transactions concerning missiles and weapons of mass destruction, as well as freeze that country's financial assets, following the United Nations Security Council's adoption days ago of a resolution condemning North Korea's recent missile launches. According to several government sources, the United States has already presented Japan a list of transactions concerning Pyongyang's missile development and other issues. Based on the list, Japan will examine domestic financial institutions as to whether they have accounts or financial assets that might have been or may be used for illegal transactions.

Meeting the press yesterday, Chief Cabinet Secretary Shinzo Abe said: "We can't see any sign that North Korea will make a radical policy change, though it needs to do so. Following the UN resolution, we'll impose sanctions on it in both the areas of goods and money related to weapons of mass destruction. It's important for us to work together with the US and other countries of the world." He thus indicated that the imposition of additional sanctions would be unavoidable.

7) "Six-party" foreign ministerial likely to occur on sidelines of ARF

ASAHI (Page 3) (Excerpts)

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July 19, 2006

Nanae Kurashige and Tadahisa Takatsuki, Seoul

The Japanese government is making arrangements to bring about a foreign ministerial of the member nations of the six-party talks on the North Korean nuclear issue on the sidelines of the upcoming ASEAN Regional Forum (ARF) in Malaysia slated for July 28, sources revealed. Taking advantage of the ARF in which the foreign ministers of all the members of the six-party talks, including North Korea, take part in, Japan wants to take the opportunity to restart the currently stalled six-party talks. Foreign ministerial talks between Japan and China and between Japan and South Korea are also expected to take place.

However, according to a Japanese government source, China has asked North Korea about its participation in the planned meeting, but no response has come from North Korea yet. There is a growing call to hold a meeting even among the five nations if North Korea is unwilling to attend.

Foreign Minister Aso, Chinese Foreign Minister Li Zhaoxing, North Korean Foreign Minister Paek Nam Sun, and others will take part in the ARF. This will be the first occasion for cabinet-level officials to assemble since the United Nations Security Council's adoption of a resolution against North Korea.

From Japan, the Ministry of Foreign Affairs Asian and Oceanian Affairs Bureau Director-General Kenichiro Sasake, the chief representative to the six-party talks, will accompany the foreign minister to ARF. Sasake is reportedly contacting Chinese Vice Foreign Minister Wu Dawei, the chief representative to the six-party talks, in trying to realize a foreign ministerial among the six nations.

8) GSDF troops loaded guns with live bullets in Iraq; Shootout nearly occurred when convoy came under attack

TOKYO SHIMBUN (Top play) (Abridged)
July 19, 2006

In June last year, an explosion took place near a convoy of Ground Self-Defense Force vehicles in Iraq. In that incident, a GSDF armored vehicle was damaged. On hearing the explosion, GSDF members loaded their guns with live cartridges in readiness to fight back, sources revealed. They did not fire, but this episode shows a dangerous fact about deployment to the front. The Self-Defense Forces has a 14-year history of overseas missions, but this is the first report of SDF members abroad loading their weapons with live bullets.

The incident occurred on June 23 last year. A remote-controlled bomb set on the right side of a road exploded when two GSDF vehicles, front- and rear-escorted by light-armored vehicles, were running in the southern Iraqi city of Samawah. One of the two escorted vehicles was damaged on its windshield and door.

According to several Defense Agency sources, GSDF members on board the light-armored vehicles loaded the magazines of 5.5-mm machineguns and were ready to fire. At the same time, they saw someone running away through the desert. However, the convoy turned back to its camp.

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About 20 GSDF members were on the move. There is no knowing how many of them loaded their weapons with live bullets. However, a shootout might have broken out if armed insurgents had attacked the convoy. The actual scene was far tenser than reported.

9) Security situation causing concern about reconstruction assistance in Iraq; GSDF troops quickly pull out of Samawah; Apprehension regarding expansion of ASDF operations

ASAHI (Page 4) (Excerpts)
July 19, 2006

Kuwait, Masahiro Tsuruoka

Ground Self-Defense (GSDF) personnel deployed to Samawah to help with reconstruction in Iraq have completed a pullout to Kuwait in 27 days, though initial expectations were that it would take a month to a month and a half. The GSDF has decided to time the withdrawal to coincide with that of British and Australian troops due to the deteriorating security situation there. Air Self-Defense (ASDF) troops will now expand their transport operations to cover Baghdad. However, the capital is in a state close to civil war. Though the government insists that the airport is a non-combat area, some sources connected with the Defense Agency (JDA) have pointed out that the government claim is a fallacy.

British and Australian troops on July 13 transferred security authority over Muthana Province, where Samawah is located, to the Iraqi government. However, the security situation there has worsened since late June, when the GSDF started pulling out.

A number of explosions occurred near the GSDF, British, and Australian camps this month. In fact, there was an explosion on the 15th, the day before the final withdrawal of the GSDF troops.

British and Australian troops, which guarded the GSDF troops, aim to pull out of Samawah before the end of the month. A senior GSDF officer noted, "The British troops intend to pull out of Samawah earlier than originally planned due to the series of explosions near their camp." The British troops helped GSDF personnel pull out of Samawah quicker than their original plan by transporting them to Talill Airport by helicopter.

The GSDF officer explained, "We rushed to pull out of Samawah in order not to disturb the withdrawals of British and Australian troops following the GSDF troops." The last GSDF troops evacuated the camp to the airport overland at night to avoid possible attacks.

JDA Director-General Nukaga, who visited Kuwait to meet the GSDF personnel, on the 17th told reporters that ASDF operations will be expanded to cover Baghdad and Arbill as early as the end of this month.

10) ASDF mission to expand starting in late July to include airlifting UN personnel and supplies between Baghdad and Arbil

YOMIURI (Page 2) (Full)
July 19, 2006

The government decided yesterday to allow the Kuwait-based Air Self-Defense Force's airlift mission to include the transport of

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United Nations personnel and supplies between Baghdad and Arbil in Iraq starting in late July in accordance to the Iraq Humanitarian Reconstruction Support Special Measures Law. The decision follows the Ground Self-Defense Force's complete withdrawal from the southern Iraqi city of Samawah.

In May, UN Secretary General Kofi Annan asked Prime Minister Junichiro Koizumi for the ASDF's cooperation on airlifting UN personnel and supplies. When Koizumi formally decided to withdraw the ground troops from Iraq, he also came up a policy course to expand the ASDF mission as part of Japan's continued assistance to Iraq. But the government has postponed the step until all ground troops pulled out of Iraq, which required ASDF transport planes.

The ASDF's C-130 transport planes and 200 personnel based at Ali Al Salem Air Base in Kuwait have airlifted GSDF and multinational force personnel and supplies to Tallil and Basra near Samawah. The government has concluded the ASDF would be able to secure safety between Baghdad and Arbil as well. The UN, which has been making preparations for the recovery of functions of its local office to coincide with the establishment of the new the new Iraqi government, has asked for the provision of transport planes.

11) JDA Director-General Nukaga asks for assistance for ASDF

operations during meeting with Kuwaiti foreign minister

SANKEI (Page 2) (Full)
July 19, 2006

Kuwait City, Hiroshi Funatsu

Defense Agency Director General Fukushima Nukaga on the morning of July 18 (afternoon of the same day, Japan time) met with Foreign Minister Mohammad at the National Assembly in Kuwait City. Nukaga expressed gratitude to the Kuwaiti government for its cooperation for Ground Self-Defense troops, which have ended their humanitarian and reconstruction assistance in Iraq. He then asked for assistance for Air Self-Defense (ASDF) troops, which will continue transport operations out of Ali Al Salem Air Base in Kuwait.

Nukaga thanked Mohammad: "The GSDF's humanitarian and reconstruction assistance operations were successful thanks to Kuwait's cooperation." He also asked for its continued cooperation to the ASDF. Mohammad replied, "We fully trust the role Japan is fulfilling for Gulf countries."

Nukaga on the afternoon of the same day (evening of the same day, Japan time) visited a US military base outside Kuwait City, where GSDF personnel were undergoing health examinations. He hailed their service there.

He told reporters: "Their experience here will be definitely used in the future. They now must be confident that their troops can work not only to defend Japan but also to build international peace."

12) DPJ's Ozawa opposed to permanent law for SDF dispatch

TOKYO SHIMBUN (Page 3) (Full)
July 19, 2006

Regarding the Ground Self-Defense Force's pullout from Iraq, Democratic Party of Japan (Minshuto) President Ichiro Ozawa, meeting

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the press yesterday, opposed the idea from within the government and the ruling Liberal Democratic Party of establishing a permanent law that would allow Japan to send Self-Defense Forces personnel overseas at any time.

"The government is going to create a procedural law (for Japan to send SDF troops overseas) without showing its constitutional interpretation of Japan's military operations; their thinking is upside down," Ozawa said. "They're confusing the order of things, and it's strange for a law-governed nation to do so," he added.

Meanwhile, the government is now beginning to prepare additional economic sanction measures against North Korea. In this regard, Ozawa noted that Japan must consider Japan's pluses and minuses on the economic and political sides before taking sanction measures, and he also noted that Japan tends to think of doing something based on a mood. In addition, Ozawa raised a question about the effectiveness of additional economic sanctions. He insisted: "There's a limit to what Japan can do alone. The whole world will have to work together, or we can't expect Japan's sanction measures to be effective."

13) USFJ to participate in Tokyo Metropolitan Government's disaster drill; Transportation of disaster survivors unable to return home by USFJ now considered

ASAHI (Page 2) (Excerpts)
July 19, 2006

US Forces Japan (USFJ) has reached a basic agreement on its participation in the Tokyo Metropolitan Government's comprehensive disaster drill that is conducted in September every year. The USFJ and the metropolitan government are in final discussions on specifics of the drill, such as the transportation of disaster survivors unable to return home and goods via USFJ ships and helicopters. The USFJ has made Yokota Air Base available to the

metropolitan government during this drill since 2001, but according to the Ministry of Foreign Affairs (MOFA) and other government offices, a joint drill with the USFJ with the participation of its troops and vessels has never taken place so far in Japan.

The drill will be conducted on the assumption of the occurrence of an earthquake directly under Tokyo. Final coordination on the drill is going on between the metropolitan government and the USFJ on plans for US troops and its vessels to transport disaster survivors unable to return home due to the disruption of the transport systems to Yokosuka City, Kanagawa Prefecture, by the US Navy's ships or transport relief goods from the Yokota Base by the US Air Force's helicopters. How many US troops, ships, and helicopters will take part in the drill is likely to depend on the situation that day.

At the time of the Chuetsu earthquake in Niigata Prefecture in 2004, US aircraft transported relief goods from Yokota Air Base. A metropolitan government official in charge of the drill explained: "The purpose of the upcoming drill is to prepare a system for us to smoothly accept support from the US forces." Reportedly, the USFJ has indicated that it has participated in relief activities when a disaster occurs and that its participation in the upcoming drill is of a similar nature.

14) Local city to accept US military aircraft training to Hyakuri base

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TOKYO SHIMBUN (Page 3) (Full)
July 19, 2006

In the process of realigning the US military presence in Japan, the government is planning to transfer US military fighter jets' training to the Air Self-Defense Force's Hyakuri base in the city of Omitama, Ibaraki Prefecture. On this issue, Omitama City decided yesterday to accept the training to the base on the condition that agreements on noise abatement, safety assurances, and other measures are concluded. The city's mayor, Joichi Shimada, will formally inform the government of the decision tomorrow. The Ibaraki prefectural government is also expected to approve the city's decision. Omitama has so far been reluctant to accept the planned transfer of US military aircraft training to the base because of opposition from the city's municipal assembly and local residents. Late last month, however, local communities accepted it conditionally. In the meantime, the city's municipal assembly also concurred. The city's municipal government therefore changed its course of action.

The proposed agreement has yet to be detailed. However, the city will ask the government to take measures, such as abating noise, ensuring safety, cooperating on local development, and limiting the number of training flights. Other localities hosting Chitose base in Hokkaido and Komatsu base in Ishikawa Prefecture have already accepted US military aircraft training relocation to these bases. Omitama City also would like to negotiate with the government for advantageous conditions.

In May, the Japanese and US governments agreed on the planned realignment of US forces in Japan. Along with this realignment, the US Air Force is to relocate F-15 fighter jets' training in part from three US military bases, including Kadena Air Base in Okinawa Prefecture, to six ASDF bases, including Hyakuri.

US fighters are expected to carry out touch-and-go training at the Hyakuri base for up to four weeks and about 1,000 times a year.

15) US State Department to release documents showing US government's financial assistance to LDP, moderate opposition party members in 1950s, 1960s

ASAHI (Page 3) (Full)
July 19, 2006

Sueya Kaihara, Washington

By publishing on July 18 a collection of diplomatic documents on Japan prepared under the Johnson administration, the US State Department will make public documents underpinning that the US government's "secret support operation" (financial aid) to some LDP executives and moderate opposition party members existed from the late 1950s through 1964. Although the New York Times reported in 1994 on financial assistance from the CIA to the LDP, public documents on such assistance have never been released. It has already come to light that the US government extended financial assistance to some opposition party members. The US government has decided to shed new light on America's postwar history.

The State Department is publishing the second part of volume 29 of the Foreign Relations of the United States (FRUS) as those documents

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become declassified after a period of 30 years.

According to a State Department press conference, the operation was of a minor scale and was designed to provide assistance to major pro-US lawmakers and split moderates from left-wing opposition parties. The Johnson administration reportedly halted the operation in 1964, concluding that the program was inappropriate and that the potential risks associated with the exposure were not worth it. But the secret social and propaganda program to eliminate communist influence rather than to financial assistance to lawmakers was in place until 1968. Edward Kiefer, editor-in-chief of the FRUS, has said to the Asahi Shimbun: "Although the operation was small in scale, it included financial assistance."

16) Is deep-sea fishing "party work" for Minshuto President Ozawa?

The Minshuto (Democratic Party of Japan) has upgraded a fishing trip planned for President Ichiro Ozawa and other party leaders at the island of Miyake (Miyake Village, Tokyo-to) to party work that would include an inspection of the island's restoration. Minshuto Acting President Naoto Kan and Secretary General Yukio Hatoyama will accompany Ozawa on the two-night, three-day trip that starts July 31. The invitation to Kan and Hatoyama to go fishing came from the Ozawa side. At first, it was supposed to be "private," according to an Ozawa aide, but later a schedule was added at the request of Miyake Village for the trio to inspect the island where eruptions of volcanic gases still continue.

Although party officials explained, "The main purpose of the trip is to inspect the island, as well as to build up the island's image as a tourist center by fishing there," some party members are complaining, such a mid-level lawmaker who said, "I just don't want it to be thought they just went there to have fun."

17) Yamasaki faction aims to unite anti-Abe forces; Policy plays up Asia diplomacy

ASAHI (Page 4) (Full)
July 19, 2006

The Yamasaki faction of the Liberal Democratic Party (LDP) yesterday released a policy vision in the run-up to the September LDP presidential election. The package proposed constructing a national secular memorial for the war dead and discussing the nature of Yasukuni Shrine, taking into consideration an argument heard in the LDP calling for separate enshrinement of Class-A war criminals. The vision strongly reflects the aim of Yamasaki, who wants to unite anti-Abe forces using Asia diplomacy as a focal point.

Touching on Japan-China relations in a press conference held to release the vision and a speech delivered after that, Yamasaki stressed the need to improve bilateral relations. He noted: "It is important that we be able to talk with that country. In order to find a breakthrough in the current situation, I want the post-Koizumi administration to carry out flexible diplomacy." He then noted: "I do not know which potential candidates will adopt my policy vision. If nobody takes it up, I will do it myself." He thus indicated the possibility of his running in the LDP presidential race.

The policy vision titled "A Japan that contributes to the world with vitality and harmony" consists of four pillars: (1) diplomacy based

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on justice and harmony; (2) a dynamic economy; (3) a safe society that guarantees peace of mind; and (4) education that opens up the future.

As a means to indicate his resolve to build a nation that positively contributes to peace, the package noted that consideration should be given to the possibility of constructing a facility where people can offer their sincere condolences to the war dead and renew their pledge to protect peace, as well as looking into the nature of Yasukuni Shrine. It also calls for stopping North Korea's nuclear development through the six-party talks and establishing a multilateral security initiative in Asia, centered on Japan, the US, South Korea, China, and Russia. For domestic politics, the package proposed raising the consumption tax by 2009 in order to cope with the declining birthrate and establishing a comprehensive social security insurance scheme that unifies pension, medical care, nursing care, benefits for handicapped persons, employment, and child care systems.

SCHIEFFER